Saskatchewan
Finance

# Annual Report 2003-2004

# Public Employees Benefits Agency Revolving Fund

## TABLE OF CONTENTS

Letters of Transmittal ..... 2
Introduction ..... 4
Administration ..... 4
Financing ..... 4
Administration Costs ..... 4
Management's Report ..... 5
Financial Statements
- Auditor's Report ..... 8
- Balance Sheet ..... 9
- Statement of Operations ..... 10
- Statement of Changes in Accumulated Net Expenditure ..... 11
- Notes to the Financial Statements ..... 12

Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

**Letter of Transmittal**

I have the honour to transmit herewith the thirteenth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2004.

I have the honour to be, Madam,

Your obedient servant,

Harry Van Mulligen
Minister of Finance

Saskatchewan
Finance

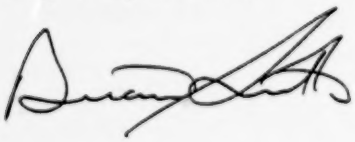
The Honourable Harry Van Mulligen
Minister of Finance
Regina, Saskatchewan

Sir:

**Letter of Transmittal**

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the thirteenth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2004.

Respectfully submitted,



Brian Smith
Executive Director

## Public Employees Benefits Agency Revolving Fund

### Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993*.

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

Pension Funds

Public Employees Pension Plan
Public Service Superannuation Plan
Municipal Employees' Pension Plan
Liquor Board Superannuation Plan
Workers' Compensation Board Superannuation Plan
Saskatchewan Transportation Company Superannuation Plan
Anti-Tuberculosis League Superannuation Plan
Members of the Legislative Assembly Superannuation Plan
Judges of the Provincial Court Superannuation Plan
Saskatchewan Pension Annuity Fund

Employee Benefit Funds

Public Employees Group Life Insurance Plan
Public Employees Dental Plan
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Public Employees Disability Income Plan
Public Employees Deferred Salary Leave Plan
Government of Saskatchewan Unscheduled Aircraft Plan
Government of Saskatchewan Scheduled Aircraft Plan
SaskPower Supplementary Superannuation Plan
Additional Pension Contribution Program
Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund
Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 Benefit Plans' Surplus Fund
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
SaskPower Millennium RRSP
Saskatchewan Government Insurance Service Recognition Plan
SaskEnergy Retiring Allowance Plan

### Administration

The Fund is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

### Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at $2,200,000.

### Administration Costs

| | |
|---|---|
| 2004 | $6,598,937 |
| 2003 | $6,966,979 (restated) |
| 2002 | $6,286,214 |
| 2001 | $5,883,129 |

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

## MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2004 and the Provincial Auditor's report on these financial statements.

Brian Smith
Executive Director
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
May 25, 2004

# PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND

## FINANCIAL STATEMENTS

**YEAR ENDED MARCH 31, 2004**

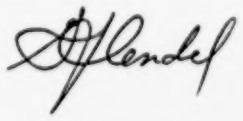
## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Employees Benefits Agency Revolving Fund as at March 31, 2004 and the statements of operations, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
May 25, 2004

Fred Wendel, CMA, CA
Provincial Auditor

## PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
## BALANCE SHEET

**STATEMENT 1**

**AS AT MARCH 31**

| | 2004 | 2003 |
|---|---|---|
| **ASSETS** | | |
| Accounts receivable (Note 6) | $ 196,650 | $ 917,220 |
| Capital assets (Note 4) | 2,098,770 | 645,323 |
| | $2,295,420 | $1,562,543 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities (Note 6) | $ 769,546 | $ 640,713 |
| Non-current Liabilities: | | |
| Accumulated net expenditure (Statement 3) | 1,525,874 | 921,830 |
| | $2,295,420 | $1,562,543 |

(See accompanying notes to the financial statements)

## PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
## STATEMENT OF OPERATIONS

STATEMENT 2

FOR THE YEAR ENDED MARCH 31

| | 2004 | | 2003 |
|---|---|---|---|
| | Budget (Note 7) | Actual | Actual |
| **REVENUE** | | | |
| Administration fees (Note 6) | $9,438,454 | $6,598,937 | $6,966,979 |
| **EXPENSES:** (Note 6) | | | |
| Salaries and benefits | 4,170,502 | 3,783,291 | 3,594,408 |
| Contractual services | 2,256,507 | 1,671,303 | 1,779,047 |
| Amortization | 1,721,620 | 99,838 | 553,951 |
| Rent | 492,074 | 502,470 | 465,839 |
| Postage and communications | 282,201 | 240,911 | 265,949 |
| Supplies | 106,747 | 110,839 | 108,851 |
| Travel | 186,427 | 101,383 | 96,637 |
| Advertising/printing | 206,796 | 49,226 | 77,880 |
| Board and business expenses | 12,581 | 15,272 | 14,470 |
| Repairs and maintenance | 2,999 | 24,404 | 9,947 |
| Total expenses | 9,438,454 | 6,598,937 | 6,966,979 |
| Net income | $ -- | $ -- | $ -- |

(See accompanying notes to the financial statements)

## PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
## STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE

STATEMENT 3

**FOR THE YEAR ENDED MARCH 31**

| | 2004 | 2003 |
|---|---|---|
| Financing (provided by) required for operating activities: | | |
| Net income | $ -- | $ -- |
| Items not affecting working capital – Amortization | (99,838) | (553,951) |
| Net (decrease) increase in working capital items related to operations (Note 5) | (849,403) | 250,170 |
| Net financing provided by operating activities | (949,241) | (303,781) |
| Financing required for investing activities: | | |
| Purchase of capital assets | 1,553,285 | 254,439 |
| Net financing required for investing activities | 1,553,285 | 254,439 |
| Net increase (decrease) in financing requirements | 604,044 | (49,342) |
| ACCUMULATED NET EXPENDITURE, beginning of year | 921,830 | 971,172 |
| ACCUMULATED NET EXPENDITURE, end of year – to Statement 1 | $1,525,874 | $ 921,830 |

(See accompanying notes to the financial statements)

## PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
## NOTES TO THE FINANCIAL STATEMENTS

**MARCH 31, 2004**

### 1. Authority and Definition of Accounting Entity

The authority for the Public Employees Benefits Agency Revolving Fund (Revolving Fund) is contained in Section 65 of *The Financial Administration Act, 1993*. The Revolving Fund was established to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various plans and programs administered by PEBA in accordance with the policy described in Note 2(c).

### 2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund consists of the net increase (decrease) in financing requirements for each fiscal year since inception.

c) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various plans and programs are billed on a monthly basis to these plans and programs, as follows:

i) Costs relating to a particular plan or program are allocated to that plan.
ii) All other costs are allocated to the various plans and programs using a formula primarily based on employees' time required to administer these plans and programs.

d) Capital Assets

The Revolving Fund capitalizes assets greater than $2,000 for purchased computer hardware, software, and furniture; greater than $20,000 for system development; and greater than $10,000 for leasehold improvements.

Capital assets are amortized on a straight-line basis over five years for purchased computer hardware and software, over ten years for system development and furniture, and over the lease term for leasehold improvements. Assets are amortized commencing in the year in which assets are placed into service.

Work in progress assets include system development costs incurred for systems not yet placed into service.

The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations.

## 3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at $2,200,000 by Order in Council 328/2000.

## 4. Capital Assets

| | Cost | | Accumulated Amortization | | Net Book Value | |
|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Computer Hardware | $ 726,550 | $ 632,959 | $ 572,008 | $ 544,310 | $ 154,542 | $ 88,649 |
| Computer Software | 142,366 | 126,300 | 121,924 | 118,469 | 20,442 | 7,831 |
| Furniture | 307,431 | 216,923 | 78,179 | 57,323 | 229,252 | 159,600 |
| System Development | 1,333,687 | 1,124,727 | 783,313 | 735,484 | 550,374 | 389,243 |
| Leaseholds | 289,875 | 289,875 | 289,875 | 289,875 | - | - |
| Work-In-Progress | 1,144,160 | - | - | - | 1,144,160 | - |
| | $3,944,069 | $2,390,784 | $1,845,299 | $1,745,461 | $2,098,770 | $645,323 |

## 5. Net Change in Working Capital Items Related to Operations

| | 2004 | 2003 |
|---|---|---|
| (Decrease) increase in accounts receivable | $(720,570) | $289,185 |
| (Increase) in accounts payable and accrued liabilities | (128,833) | (39,015) |
| | $(849,403) | $250,170 |

## 6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards, and commissions related to the Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include $1,135,055 (2003 - $1,106,526) that the Department of Finance paid for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the plans and programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*, to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed

by various departmental appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on normal trade terms.

The following table summarizes the Revolving Fund's related party transactions that are in the normal course of operations.

| | 2004 | 2003 |
|---|---|---|
| Administration fees | $6,598,937 | $6,966,979 |
| Expenses: | | |
| Salaries and benefits | 512,712 | 490,721 |
| Rent | 483,743 | 444,374 |
| Postage and communications | 234,458 | 258,400 |
| Supplies | 23,145 | 21,849 |
| Contractual services | 29,855 | 19,369 |
| Travel | 1,788 | 2,041 |
| Repairs and maintenance | 12,844 | 6,118 |
| Advertising/printing | - | 2,068 |
| Board and business expenses | 1,335 | 1,661 |

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

| | 2004 | 2003 |
|---|---|---|
| Accounts receivable | $196,113 | $904,104 |
| Accounts payable and accrued liabilities | $132,463 | $ 96,636 |

The Revolving Fund paid $90,508 (2003 - $nil) to Saskatchewan Property Management Corporation and $57,554 (2003 - $nil) to Capital Pension Plan for the purchase of capital assets.

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

## 7. Budget

The various pension plan boards approved their component of the annual budget. A copy of the annual budget was also submitted to Treasury Board.

## 8. Amount Reported in Public Accounts

The net (expenditure) recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

| | 2004 | 2003 |
|---|---|---|
| Net income | $ -- | $ --- |
| (Increase) decrease in net capital assets | (1,453,447) | 299,512 |
| Amounts not included in Public Accounts due to timing | 902,134 | 17,511 |
| Net (expenditure) recovery reported in Public Accounts | $ (551,313) | $317,023 |

## 9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as accounts receivable, and accounts payable and accrued liabilities that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. However, the majority of the Revolving Fund's receivables are from government plans and programs administered by PEBA. Therefore, the credit risk is minimal.

c) Fair value

The Revolving Fund's financial instruments include accounts receivable and accounts payable and accrued liabilities. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

## 10. Comparative Figures

Certain of the 2003 balances have been reclassified to conform with the current year's presentation.